

## Office of the State Controller

### Self-Assessment of Internal Controls

#### Accounts Receivable Cycle

##### Objectives and Risks

Agency \_\_\_\_\_

Year-End \_\_\_\_\_

<u>Objectives</u>	<u>Risks</u>
Ensure that appropriate records are maintained for all businesses, users of government services, and individuals or entities against whom taxes or fees are assessed.	<ul style="list-style-type: none"><li>• Government loss of revenue as a result of billing errors.</li><li>• Eligible parties who have failed to file tax or other informational returns not identified.</li><li>• Systems may permit unauthorized removal of taxpayers or others from rolls.</li><li>• Employees diversion of revenue for personal use.</li></ul>
Billing of taxes and services is performed promptly and in proper amounts; self-assessed taxpayers monitored; exemptions are only provided to those authorized.	<ul style="list-style-type: none"><li>• Billings inaccurately or incompletely prepared.</li><li>• Sales, income and other self-assessed taxpayers may pay amounts less than required by law.</li><li>• Revenue lost due to inadequate procedures or improper accounts.</li></ul>
All collections are properly identified, control totals developed, and collections promptly deposited intact and applied to the proper accounts.	<ul style="list-style-type: none"><li>• Withholding or delaying the recording of cash receipts and application of funds to the proper accounts.</li><li>• Employee diversion of receipts for personal use.</li><li>• Failure to receive proper distribution of taxes collected by another level of government.</li><li>• Amounts improperly written-off and collections diverted to personal use.</li></ul>

<p>Billings, adjustments and collections are properly recorded in individual receivable accounts.</p>		<ul style="list-style-type: none"> <li>• Account balances reduced by unauthorized transactions.</li> <li>• Cash flow from payments delayed by late billings or deposits.</li> </ul>
<p>Revenues, collections and receivables are properly accumulated, classified and summarized in the accounts.</p>		<ul style="list-style-type: none"> <li>• Errors in transaction postings to detail or control accounts not detected in a timely manner.</li> <li>• Problem accounts do not receive prompt attention, resulting in revenue or cash-flow loss.</li> </ul>

## Office of the State Controller

### Self-Assessment of Internal Controls

#### Accounts Receivable Cycle

##### Control Policies and Procedures

Agency \_\_\_\_\_

Year-End \_\_\_\_\_

**Bolded questions identify critical controls. A critical control is a control that will prevent or detect an error in the event that all other controls fail.**

#### A. Control Activities / Information and Communication:

Yes No N/A

- |     |     |     |    |  |
|-----|-----|-----|----|--|
| ___ | ___ | ___ | 1. | Is there a formal organizational chart defining responsibilities for preparing bills, recording payments, collecting amounts due and following up of on unpaid accounts?   |
| ___ | ___ | ___ | 2. | Does the agency have written credit and collection policies that meet the requirements of the Statewide Accounts Receivable program and the policies and procedures established by OSC and the Attorney General? |
| ___ | ___ | ___ | 3. | Do procedures exist to prepare and send billings as soon after the sale of goods or performance of service as possible, but at least within the month?   |
| ___ | ___ | ___ | 4. | Have procedures been documented to collect monies due within the established payment terms?  |
| ___ | ___ | ___ | 5. | Have procedures been adopted to notify the Attorney General's office and follow through the collection after 60 days?  |
| ___ | ___ | ___ | 6. | Does the agency participate in the Setoff Debt Program established by Chapter 105A of the General Statutes?  |
| ___ | ___ | ___ | 7. | Has an allowance account been established for doubtful accounts to reflect the amount of the agency's receivables that management estimates will be uncollectible?   |
| ___ | ___ | ___ | 8. | Are accounts written off the agency's financial accounting records when all collection procedures have been exhausted without success and reason adequately documented?  |
| ___ | ___ | ___ | 9. | <b>Do write-offs or adjustments have proper authorizations?</b>  |

- \_\_\_ \_\_\_ \_\_\_ 10. Do procedures exist to prevent the interception or alteration by unauthorized persons of billings or statements after preparation but before they are mailed?
- \_\_\_ \_\_\_ \_\_\_ 11. Does the agency have established policies and procedures concerning refunds of overpayments, issuance of billing adjustments?
- \_\_\_ \_\_\_ \_\_\_ 12. Are all services or goods provided to individuals or other governmental units billed when goods are provided or services rendered?
- \_\_\_ \_\_\_ \_\_\_ 13. Are payment terms 30 days after billing, unless contractual requirements specify otherwise?
- \_\_\_ \_\_\_ \_\_\_ 14. **Are subsidiary accounts receivable and notes receivable records maintained and reconciled at least monthly with the general ledger control account?**
- \_\_\_ \_\_\_ \_\_\_ 15. Are the following amounts properly recorded:
- \_\_\_ \_\_\_ \_\_\_ a. Amounts due from local governments?
- \_\_\_ \_\_\_ \_\_\_ b. Amounts due from federal agencies?
- \_\_\_ \_\_\_ \_\_\_ c. Amounts due from other departments/divisions/agencies?
- \_\_\_ \_\_\_ \_\_\_ d. Amounts due from other funds?
- \_\_\_ \_\_\_ \_\_\_ e. Interest Receivable?
- \_\_\_ \_\_\_ \_\_\_ f. Trade Receivables?
- \_\_\_ \_\_\_ \_\_\_ g. Taxes Receivable?
- \_\_\_ \_\_\_ \_\_\_ 16. Does the agency charge interest at the rate established pursuant to G.S. 105-241.1(l) on a past-due account receivable from the date the account receivable was due until it is paid?
- \_\_\_ \_\_\_ \_\_\_ 17. Are remittance advices and billings retained to support entries to accounts receivable records?
- \_\_\_ \_\_\_ \_\_\_ 18. Are individual receivable records posted only from authorized documents?
- \_\_\_ \_\_\_ \_\_\_ 19. Are databases and, where appropriate, usage records accurately maintained to ensure that amounts due are billed correctly?
- \_\_\_ \_\_\_ \_\_\_ 20. Are charges for goods or services based on authorized rates and approved by the appropriate State/Federal authorities?
- \_\_\_ \_\_\_ \_\_\_ 21. Are statements of account balances mailed at least once a month?
- \_\_\_ \_\_\_ \_\_\_ 22. Is the accounting department notified directly and in a timely manner of billings and collection?

- \_\_\_ \_\_\_ \_\_\_ 23. Are collections on accounts receivable deposited daily, rather than held for posting to detail records?
- \_\_\_ \_\_\_ \_\_\_ 24. To aid in collection, does the agency obtain the following minimum prescribed information on prospective debtors:
- \_\_\_ \_\_\_ \_\_\_ a. Full name and any previous name(s) if applicable?
- \_\_\_ \_\_\_ \_\_\_ b. Home and office address(es) for the past two years?
- \_\_\_ \_\_\_ \_\_\_ c. Telephone numbers for home and place of employment?
- \_\_\_ \_\_\_ \_\_\_ d. Federal Employer Identification Number?
- \_\_\_ \_\_\_ \_\_\_ e. Social Security Number for individuals or sole proprietorships contracting with the State?
- \_\_\_ \_\_\_ \_\_\_ f. For other individuals, Social Security Number and/or Driver's License Number?
- \_\_\_ \_\_\_ \_\_\_ g. Date of Birth?
- \_\_\_ \_\_\_ \_\_\_ h. Place and type of employment and employer's address, and previous employer if less than two years in present job?
- \_\_\_ \_\_\_ \_\_\_ i. A credit bureau report may be required depending on the amount of the potential receivable and the guidelines of the agency or institution?
- \_\_\_ \_\_\_ \_\_\_ 25. **Are the following duties performed by different people:**
- \_\_\_ \_\_\_ \_\_\_ a. **Billing and collecting of accounts receivable funds?**
- \_\_\_ \_\_\_ \_\_\_ b. **Maintaining detail accounts receivable records, collecting, and general ledger posting?**
- \_\_\_ \_\_\_ \_\_\_ c. **Writing off or adjusting to accounts receivable and the maintenance of accounts receivable records?**
- \_\_\_ \_\_\_ \_\_\_ d. **Investigating disputes with billing amounts and the maintenance of accounts receivable records?**
- \_\_\_ \_\_\_ \_\_\_ e. **Reconciling, investigating reconciling items and posting detail accounts receivable records?**
- \_\_\_ \_\_\_ \_\_\_ 26. Are all collections on accounts receivable posted to individual receivable accounts?
- \_\_\_ \_\_\_ \_\_\_ 27. **Is access to the accounts receivable accounting system limited only to authorized individuals?**

**B. Monitoring:**

- \_\_\_ \_\_\_ \_\_\_ 28. **Are corrections and adjustments to cash receipts documented and approved by management?**
- \_\_\_ \_\_\_ \_\_\_ 29. **Are all non-cash credits, such as credit memos, allowances, and bad debts properly authorized?**
- \_\_\_ \_\_\_ \_\_\_ 30. Are there controls to ensure that individuals with delinquent accounts are not receiving additional credit?
- \_\_\_ \_\_\_ \_\_\_ 31. For institutions of higher education, are there controls to ensure that no student having any outstanding past-due accounts is allowed to enroll for the next term?
- \_\_\_ \_\_\_ \_\_\_ 32. **Is an aging schedule prepared monthly and reviewed by management?**
- \_\_\_ \_\_\_ \_\_\_ 33. Are delinquent accounts followed up?
- \_\_\_ \_\_\_ \_\_\_ 34. Are all legal remedies followed to collect write-offs or uncollectible accounts with the Attorney General?
- \_\_\_ \_\_\_ \_\_\_ 35. Are there procedures to adjust billings for new rates?
- \_\_\_ \_\_\_ \_\_\_ 36. **Are accounts reviewed by someone independent of cash and accounts receivable accounting?**